

BOYNE DISTRICT LIBRARY

BOYNE CITY, MICHIGAN

FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended April 30, 2008

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Boyne District Library

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	11
Reconciliation of the Government Funds Balance Sheet to the Net Assets of Governmental Funds on the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balance	13
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	14
Notes to Financial Statements	15-20
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Comparison Schedules:	
General Fund	21

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INDEPENDENT AUDITOR'S REPORT

September 15, 2008

Board of Trustees
Boyne District Library
Boyne City, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Boyne District Library, as of and for the year ended April 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Boyne District Library as of April 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boyne District Library
Independent Auditor's Report
September 15, 2008

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mason & Kammermann, P.C.

Mason & Kammermann, P.C.
Certified Public Accountants

Boyne District Library

Management's Discussion and Analysis

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Boyne District Library's basic financial statements. The Library's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Library's financial position is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation time).

Both government-wide financial statements distinguish functions of the entity that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Library include a single program function, culture and recreation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Boyne District Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are classified as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial

Boyne District Library

Management's Discussion and Analysis

statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Summary of Net Assets

The following schedule summarizes the net assets at April 30, 2008:

Assets

Current Assets

Cash	\$ 19,264
Investments	627,567
Due From Other Governmental Units	34,090
Prepaid Expenditures	<u>2,125</u>
Total Current Assets	683,046

Noncurrent Assets

Capital Assets	3,157,806
Less: Accumulated Depreciation	<u>(1,013,677)</u>
Total Noncurrent Assets	<u>2,144,129</u>
Total Assets	2,827,175

Liabilities and Net Assets

Liabilities

Accounts Payable	13,779
Accrued Payroll Taxes	4,491
Accrued Vacation Leave	<u>4,599</u>
Total Liabilities	<u>22,869</u>

Boyne District Library

Management's Discussion and Analysis

Net Assets

Invested in Capital Assets	2,144,129
Unrestricted	<u>660,177</u>
Total Net Assets	<u>\$ 2,804,306</u>

Analysis of Financial Position

During the fiscal year ended April 30, 2008, the Library's net assets increased by \$86,554. A few of the more significant factors affecting net assets during the year are discussed below:

Depreciation Expense

GASB 34 requires Libraries to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended April 30, 2008, \$108,037 was recorded for depreciation expense.

Capital Outlay Acquisitions

For the fiscal year ended April 30, 2008, \$51,825 of expenditures were capitalized and recorded as assets of the Library. These additions to the Library's capital assets will be depreciated over time as described above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$56,212 for the fiscal year ended April 30, 2008.

Boyne District Library

Management's Discussion and Analysis

Results of Operations

For the fiscal year ended April 30, 2008, the results of operations were as follows:

	<u>Amount</u>	<u>% of Total</u>
General Revenues		
Property Taxes	\$ 442,442	76.82%
Investment Earnings	14,792	2.57%
Penal Fines	47,359	8.22%
State Aid	5,670	0.99%
Other	<u>1,316</u>	<u>0.23%</u>
 Total General Revenues	 511,579	 88.83%
 Program Revenues		
Charges for Services	9,349	1.62%
Operating Grants & Contributions	<u>54,995</u>	<u>9.55%</u>
 Total Revenues	 <u>575,923</u>	 <u>100.00%</u>
 Expenses		
Recreation and Culture	<u>433,157</u>	<u>100.00%</u>
 Changes in Net Assets	 <u>\$ 142,766</u>	

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The voters of Bay, Evangeline, Eveline and Wilson Townships and the City of Boyne City have approved the levy of .9696 mills for property taxes to fund the Library's operations.

The following table summarizes the operating property tax levies for operations for the last three years:

<u>Fiscal Year</u>	<u>Operating Tax Levy</u>
2008	442,442
2007	419,700
2006	397,892

Boyne District Library

Management's Discussion and Analysis

2. Intermediate Sources

The intermediate source income is comprised of penal fines received from Charlevoix County and totaled \$47,359.

Expenditures

A comparison of expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

Expenditures	<u>Amount</u>	<u>% of Total</u>
Salaries and Wages	\$ 184,198	42.52%
Employee Fringe Benefits	54,825	12.66%
Professional Services	4,892	1.13%
Advertising	5,176	1.19%
Utilities	41,828	9.66%
Electronic Access	14,729	3.40%
Insurance	6,659	1.54%
Repairs and Maintenance	37,425	8.64%
Library Books	33,174	7.66%
Periodicals	2,550	0.59%
Office Supplies	6,857	1.58%
Operating Supplies	5,184	1.20%
Travel and Training	10,800	2.49%
Dues and Fees	5,793	1.34%
Miscellaneous	417	0.10%
Capital Outlay	18,650	4.30%
Total Expenditures	<u>\$ 433,157</u>	<u>100.00%</u>

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on May 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on April 30.

Boyne District Library

Management's Discussion and Analysis

The following schedule shows a comparison of the original fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance With Final Budget
Total Revenues	\$ 478,290	\$ 478,790	\$ 575,923	\$ 97,133
Total Expenditures	463,989	429,789	433,157	3,368
Net Change in Fund Balance	<u>\$ 14,301</u>	<u>\$ 49,001</u>	<u>\$ 142,766</u>	<u>\$ 93,765</u>

There was no change in the Total Revenue Original Budget to Final Budget. The change in the Total Expenditures Original Budget to Final Budget was a decrease of \$34,200.

Capital Assets

At April 30, 2008, the Library had \$3,157,806 in capital assets, including land, buildings and improvements, equipment, furniture and fixtures, as well as books. Depreciation expense for the year totaled to \$108,037 bringing the accumulated depreciation to \$1,013,677 as of April 30, 2008.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. If you have questions about this report, please contact Boyne District Library, 201 East Main St., Boyne City, MI 49712.

Boyne District Library

Statement of Net Assets April 30, 2008

<u>Assets</u>	<u>Governmental Activities</u>
Current Assets	
Cash	\$ 19,264
Investments	627,567
Due From Other Governmental Units	34,090
Prepaid Expenditures	<u>2,125</u>
Total Current Assets	683,046
Noncurrent Assets	
Capital Assets	3,157,806
Less: Accumulated Depreciation	<u>(1,013,677)</u>
Total Noncurrent Assets	<u>2,144,129</u>
Total Assets	2,827,175
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts Payable	13,779
Accrued Payroll Taxes	4,491
Accrued Vacation Leave	<u>4,599</u>
Total Liabilities	<u>22,869</u>
Net Assets	
Invested in Capital Assets	2,144,129
Unrestricted	<u>660,177</u>
Total Net Assets	<u><u>\$ 2,804,306</u></u>

The accompanying notes are a part of the financial statements.

Boyne District Library

Statement of Activities For The Year Ended April 30, 2008

	<u>Expenses</u>
Recreation and Culture	
Salaries & Wages	\$ 184,198
Fringe Benefits	54,825
Professional Services	4,892
Contracted Services	5,176
Utilities	41,828
Electronic access	14,729
Insurance	6,659
Repairs and Maintenance	37,425
Periodicals	2,550
Office Supplies	6,857
Operating Supplies	5,184
Traveling and training	10,800
Dues and Fees	5,793
Miscellaneous	417
Depreciation	<u>108,037</u>
Total Program Expenses	489,370
Program Revenues	
Charges for Services	9,349
Operating Grants and Contributions	<u>54,995</u>
Net Program Expenses	(425,026)
General Revenues	
Property Taxes	442,442
Investment Earnings	14,792
Penal Fines	47,359
State Aid	5,670
Other	<u>1,316</u>
Total General Revenues	<u>511,579</u>
Change in Net Assets	86,553
Net Assets - May 1, 2007	<u>2,717,753</u>
Net Assets - April 30, 2008	<u><u>\$ 2,804,306</u></u>

The accompanying notes are a part of the financial statements.

Boyne District Library

Governmental Funds Balance Sheet April 30, 2008

<u>Assets</u>	<u>General Fund</u>
Cash	\$ 19,264
Investments	627,567
Due From Other Governmental Units	34,090
Prepaid Expenditures	<u>2,125</u>
Total Assets	<u><u>\$ 683,046</u></u>
 <u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts Payable	\$ 13,779
Accrued Payroll Taxes	4,491
Accrued Vacation Leave	<u>4,599</u>
Total Liabilities	22,869
Fund Balance	
Undesignated	<u>660,177</u>
Total Liabilities & Fund Equity	<u><u>\$ 683,046</u></u>

The accompanying notes are a part of the financial statements.

Boyne District Library

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets April 30, 2008

Total Governmental Fund Balances			\$ 660,177
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets and unamortized expenses used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet			
	Cost of capital assets	\$ 3,157,806	
	Accumulated depreciation	<u>(1,013,677)</u>	
			<u>2,144,129</u>
Net Assets of Governmental Activities			<u><u>\$ 2,804,306</u></u>

The accompanying notes are a part of the financial statements.

Boyne District Library

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances For The Year Ended April 30, 2008

	General Fund
Revenues:	
Local Sources	
Property Tax Levy	\$ 442,442
Earnings on Investments and Deposits	14,792
Donations	54,995
Copy Machine Receipts	3,706
Book Fines	5,643
Miscellaneous	1,316
Intermediate Sources	
Penal Fines	47,359
State Sources	
State Aid	5,670
Total Revenues	575,923
Expenditures:	
Salaries & Wages	184,198
Fringe Benefits	54,825
Professional Services	4,892
Advertising	5,176
Utilities	41,828
Electronic access	14,729
Insurance	6,659
Repairs and Maintenance	37,425
Library Books	33,174
Periodicals	2,550
Office Supplies	6,857
Operating Supplies	5,184
Travel and training	10,800
Dues and Fees	5,793
Miscellaneous	417
Capital Outlay	18,650
Total Expenditures	433,157
Excess of Revenues Over Expenditures	142,766
Net Change in Fund Balance	142,766
Fund Balances - May 1, 2007	517,411
Fund Balances - April 30, 2008	\$ 660,177

The accompanying notes are a part of the financial statements.

Boyne District Library

Governmental Funds Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended April 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 142,766

Amounts reported for governmental activities in the statement
of net assets are different because:

Governmental funds report capital outlays and intangible assets as expenditures
in the statement of activities. These costs are allocated over their estimated
useful lives as depreciation or amortization.

Depreciation Expense	(108,037)	
Capital Outlay	<u>51,824</u>	
		<u>(56,213)</u>
Changes in Net Assets - Governmental Activities		<u>\$ 86,553</u>

The accompanying notes are a part of the financial statements.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Boyne District Library was established in 1996 under Act 164 of 1995, to provide library services to residents of Bay, Evangeline, Eveline, and Wilson Townships and the City of Boyne City. It is primarily funded by tax revenues from these governmental units. The Library's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No.14.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to financial statements presented in the previous financial reporting model,

The Library has one governmental fund called the General Fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Library are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2008

Accrual Method

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental fund:

The General Fund is the primary operating fund of the Library. It is used to account for all financial resources of the Library.

D. Assets, Liabilities and Equity

1. Cash and Investments

Cash is comprised of the amount of funds in bank checking accounts.

Investments consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2008

2. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Books	12 years
Furniture and Fixtures	10 years
Equipment	5 years
Building Improvements	20 years
Buildings	50 years

The Library's capitalization policy is to record purchases of assets with costs exceeding \$500 and all books.

3. Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

4. Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

6. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2008

affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

7. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. As of April 30, 2008, the Library has no long-term debt outstanding.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

An operating budget is prepared annually. The operating budget includes proposed expenditures and the means of financing them.

The budget is approved by the Library Board prior to the start of the fiscal year that it relates to.

All transfers of budgeted amounts between accounts within the General Fund must be approved by the Library Board.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library board.

Budget appropriations lapse at the end of the fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be re-appropriated and honored during the subsequent year.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Library incurred expenditures in excess of amounts appropriated of \$3,368.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2008

III. DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP

A. Deposits and Investments

Investments include savings and money market accounts and certificates of deposit.

The cash in bank, savings and money market accounts and certificates of deposit are held by local federally insured financial institutions.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

Insured	\$ 325,731
Uninsured	<u>321,100</u>
	<u>\$ 646,831</u>

B. Capital Assets

A summary of changes in the Library's capital assets follows:

	Balance of May 1, 2007	Additions	Retirement	Balance of April 30, 2008
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated				
Buildings	2,260,246	-	-	2,260,246
Equipment	101,938	7,926	-	109,864
Furniture and Fixtures	169,188	10,725	-	179,913
Book Collection	<u>574,609</u>	<u>33,174</u>	<u>25,000</u>	<u>582,783</u>
Total Capital Assets, being depreciated	3,105,981	51,825	25,000	3,132,806
Less: Accumulated Depreciation	<u>(930,640)</u>	<u>(108,037)</u>	<u>(25,000)</u>	<u>(1,013,677)</u>
Total Net Capital Assets	<u>\$ 2,200,341</u>	<u>\$ (56,212)</u>	<u>\$ -</u>	<u>\$ 2,144,129</u>

Depreciation for the fiscal year ended April 30, 2008, totaled \$108,037.

Boyne District Library

Notes To Financial Statements For Year Ended April 30, 2008

C. Property Taxes

Property taxes are levied on July first and December first and are payable by September fourteenth and February fourteenth. Property tax revenues are recognized when levied.

For the year ended April 30, 2008, taxes levied for Library operations are as follows:

PURPOSE	MILLS
General Operating	.9696

E. Pension Plan

The Library has approved a tax-deferred annuity for employees and funds pension costs as they accrue and totaled \$4,652 for the year.

IV. OTHER INFORMATION

A. Risk Management

The Library participates in the Michigan Municipal League Insurance Pool to provide workers' compensation coverage and general liability and property insurance. The Library contributed \$6,659 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

B. Endowment

The Library has established an endowment fund with the Charlevoix County Community Foundation to provide funds for maintaining the building. The market value of the fund is approximately \$183,975 at December 31, 2007.

Boyne District Library

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended April 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Local Sources				
Property Tax Levy	\$ 422,500	\$ 423,000	\$ 442,442	\$ 19,442
Earnings on Investments and Deposits	10,000	10,000	14,792	4,792
Donations	3,000	3,000	54,995	51,995
Copy Machine Receipts	3,000	3,000	3,706	706
Book Fines	5,000	5,000	5,643	643
Miscellaneous	200	200	1,316	1,116
Intermediate Sources				
Penal Fines	32,000	32,000	47,359	15,359
State Sources				
State of Michigan	2,590	2,590	5,670	3,080
Total Revenues	478,290	478,790	575,923	97,133
Expenditures:				
Salaries & Wages	185,289	180,289	184,198	3,909
Fringe Benefits	50,000	55,000	54,825	(175)
Professional Services	5,500	5,500	4,892	(608)
Advertising	12,000	6,000	5,176	(824)
Utilities & Telephone	43,200	43,300	41,828	(1,472)
Electronic access	33,000	15,000	14,729	(271)
Insurance	7,500	7,500	6,659	(841)
Repairs and Maintenance	35,000	38,000	37,425	(575)
Library Books	37,000	37,000	33,174	(3,826)
Periodicals	3,000	3,000	2,550	(450)
Office Supplies	10,000	7,200	6,857	(343)
Operating Supplies	5,000	5,400	5,184	(216)
Travel and training	3,500	9,600	10,800	1,200
Dues and Fees	3,500	6,000	5,793	(207)
Miscellaneous	500	1,000	417	(583)
Capital Outlay	30,000	10,000	18,650	8,650
Total Expenditures	463,989	429,789	433,157	3,368
Excess of Revenues Over Expenditures	14,301	49,001	142,766	93,765
Fund Balance - May 1, 2007	517,411	517,411	517,411	-
Fund Balance - April 30, 2008	\$ 531,712	\$ 566,412	\$ 660,177	\$ 93,765

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September 15, 2008

To the Board of Trustees of
Boyne District Library
Boyne City, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne District Library as of and for the year ended April 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Boyne District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Library's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Library's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America.

The Library, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Library lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Mason & Kammermann, P.C.".

Mason & Kammermann, P.C.
Certified Public Accountants

MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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September 15, 2008

To the Board of Trustees
Boyne District Library
Boyne City, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boyne District Library for the year ended April 30, 2008, and have issued our report thereon dated September 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boyne District Library are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the corrected misstatements. In our judgment, the recorded adjustments, indicate matters that have a significant effect on the Library's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 15, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Generally, receipts are collected and bank deposits are made about once a month. While this is adequate for copy fees and book fines that may accumulate, we recommend making deposits of property taxes and other large sums upon receipt.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Boyne District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Mason & Kammermann, P.C." in a cursive, flowing script.

Mason & Kammermann, P.C.
Certified Public Accountants